

This record is a partial extract of the original cable. The full text of the original cable is not available.

C O N F I D E N T I A L BRASILIA 000529

SIPDIS

TREASURY FOR OASIA - NANCY LEE

E.O. 12958: DECL: 03/04/2024

TAGS: [EFIN](#) [ECON](#) [PREL](#) [BR](#)

SUBJECT: BRAZIL CONSIDERS EFFECT OF IMF-ARGENTINA STANDOFF

REF: BRASILIA 463

Classified By: Economic Counselor Roman Wasilewski, reasons 1.5 (b) and (d).

[11](#). (C) The GoB has yet to really focus on what effect an IMF-Argentina train wreck would have on Brazil and the rest of Latin America, accordi

[12](#). (C) Coming against the backdrop of negative Brazilian growth in 2003 (reftel), falling real incomes and an unprecedented fiscal squeeze to pay the interest on its debt, an Argentina-IMF compromise that blesses a substantial debt reduction would promi

[13](#). (C) Comment: The GoB and Lula are concerned enough about the fallout -- both political and economic -- from an Argentina-IMF collision for Lula to have called the White House on Argentina's behalf Tuesday, March 2. Whatever the IMF/Argentina outcome, the GoB may feel at risk of collateral damage: almost any compromise -- regardless of the size of the "haircut" private economy needs to unleash its potential.

VIRDEN